THE PUBLIC SERVICE GROUP INSURANCE FUND

BENEFITS SUMMARY

AND

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2000

THE PUBLIC SERVICE GROUP INSURANCE FUND

BENEFITS SUMMARY AS AT APRIL 30, 2000

The Public Servants Insurance Act provides for the establishment of the Public Service Group Insurance Fund (PSGIF) which is administered by the Civil Service Superannuation Board. The PSGIF includes three plans to provide life insurance, accidental death and disablement insurance and dependents insurance for eligible employees and retired employees (and their eligible dependents) of the Government of Manitoba and most of its Agencies and Boards.

Each of the three plans is self-funding. Employee, retired employee and employer contributions along with investment income finance all death and disablement claims and administration costs. On the termination of the Policy, payment would be made by the Province of Manitoba to the extent that reserves are insufficient to cover any policy deficit.

Each of the three plans is summarized below:

a) **The Employees' Group Life Insurance Plan** (established May 1, 1960)

Most employees join the Plan at the same time they are enrolled in the Civil Service Superannuation Fund Pension Plan. Employees are automatically covered for life insurance coverage of five times annual salary, but may select a lower multiple. The maximum coverage under the plan is $1,000,000. For employees age 65 or more, insurance reduces in five year intervals based on age. Insurance automatically reduces to $3,000 once the retiree reaches age 73.

Reduced life insurance automatically continues following retirement for eligible retired employees. As an alternative, retired employees can choose a $3,000 paid-up policy without making contributions. Eligible employees who retire or terminate employment due to ill health or injury may apply to continue group life (disability) insurance without making further contributions until age 65, at which time retirement insurance options are available.

b) **The Accidental Death and Disablement Plan** (established July 1, 1974)

An eligible employee who is insured under the Employees' Group Life Insurance Plan is enrolled in the Accidental Death and Disablement Plan. This Plan does not insure retired employees.

The amount of accidental death and disablement insurance is based on the employee's annual salary (maximum of $25,000) and insurance class (to a maximum of class three) under the Employees' Group Life Insurance Plan. An employee's maximum insurance is $75,000 (the maximum salary of $25,000 times class three).

c) **The Dependents' Group Life Insurance Plan** (established May 1, 1962)

An eligible employee who is insured under the Employees' Group Life Insurance Plan may choose insurance coverage on his/her eligible dependents in the Dependents' Group Life Insurance Plan. The employee elects the amount of insurance by choosing from one unit to four units of insurance. An employee with four units of insurance, whose spouse is under age 70, would have the maximum $60,000 of insurance on his/her spouse and $12,000 of insurance on each child.

Eligible retired employees may choose to continue reduced insurance on their dependents following retirement. Eligible employees who are granted a disability benefit under the Employees' Group Life Insurance Plan also continue to have dependents' group life (disability) insurance at no cost until age 65, when retirement insurance options are available.

Contribution Rates

The contribution rates for insurance in each of the Plans are summarized below:

The Employees' Group Life Insurance Plan:

Paid By	Basis Of Contribution	Contribution Rate Bi-weekly	Contribution Rate Monthly
Member	Per $1,000 of insurance	7.68¢	16.71¢
Employer	Per $1,000 of insurance	2.91¢	6.33¢
Total		10.59¢	23.04¢

Note: Insurance contributions for classes one to four are shared by the employee/employer as above. The employee pays the total contribution amount for insurance on class five. Pensioners pay monthly contributions of 23 ¢ per $1,000 of insurance.

Accidental Death and Dismemberment Plan:

Paid By	Basis Of Contribution	Contribution Rate Bi-weekly	Contribution Rate Monthly
Employer	Per $1,000 of insurance	1.58¢	3.43¢

Dependents' Group Life Insurance Plan:

Paid By	Basis Of Contribution	Contribution Rate Bi-weekly	Contribution Rate Monthly
Member	Per Unit	$1.60	$3.48

Retired employee contributions under the Employees' Group Life Insurance Plan and Dependents' Group Life Insurance Plan are subsidized from the applicable Plan's reserves. Insurance for disabled members under the Employees' Group Life Insurance Plan and Dependents' Group Life Insurance Plan is funded by the applicable Plan's reserves.

Office of the Provincial Auditor's Report, Management Report and Financial Statements

Attached is the Office of the Provincial Auditor's Report on the Accounts of the Public Service Group Insurance Fund, the Management Report, Financial Statements and Notes for the year ended April 30, 2000.

MANAGEMENT REPORT

The accompanying financial statements of the Public Service Group Insurance Fund are the responsibility of management and have been prepared in accordance with the accounting policies stated in the notes to the financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. Comparative figures for the year ended April 30, 1999 have been reclassified to conform with the presentation adopted for the current year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to September 28, 2000.

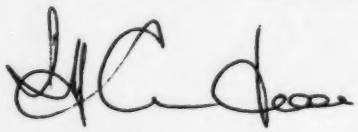
The firm of Ellement and Ellement has been appointed the consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual financial statements.

The Provincial Auditor performs an independent audit of the financial statements in accordance with generally accepted auditing standards. The resulting opinion is set out in the Auditor's Report attached to the financial statements.

Ultimate responsibility for the financial statements rests with the Board of Directors. The Board, as Audit Committee, established a Financial Statement Review Committee to meet with Board staff and representatives of the Provincial Auditor. It is the responsibility of the Financial Statement Review Committee to review the financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the financial statements. The auditors have full and unrestricted access to the Board, as Audit Committee, and to the Financial Statement Review Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,



Robert H. Covernton
General Manager

Allen Borle
Director, Finance

Office of the Provincial Auditor

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To The Legislative Assembly of Manitoba

We have audited the statement of net assets available for benefits of the Public Service Group Insurance Fund as at April 30, 2000 and the statements of changes in net assets available for benefits for the employees' group life insurance plan, the accidental death and disablement plan and the dependents' group life insurance plan for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Public Service Group Insurance Fund as at April 30, 2000 and the changes in its net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

David Petrie

Winnipeg, Manitoba
September 28, 2000

David Petrie, CA
for the Provincial Auditor

THE PUBLIC SERVICE GROUP INSURANCE FUND **Exhibit A**

Statement of Net Assets Available for Benefits

as at April 30, 2000

	2000	1999
ASSETS		
Investments, Schedule 1, Note 2(b)	$92,851,436	$89,533,630
Accounts receivable	30,812	48,269
Accrued dividends and interest	974,058	1,543,096
Due from Canada Life Assurance Company	2,257,297	-
Due from Broker	-	139,360
Total assets	96,113,603	91,264,355
LIABILITIES		
Provision for future claims/liabilities, Schedule 2, Note 4		
Employees' Group Life Insurance Plan	79,178,776	72,813,334
Accidental Death and Disablement Plan	4,704,671	1,576,666
Dependents' Group Life Insurance Plan	2,577,701	2,668,901
Contributions received in advance	247,611	360,483
Due to Canada Life Assurance Company	-	1,157,769
Due to Broker	683,239	-
Accounts payable	33,716	93,801
Total liabilities	87,425,714	78,670,954
NET ASSETS AVAILABLE FOR BENEFITS		
Employees' Group Life Insurance Plan, Exhibit B	6,552,468	8,793,565
Accidental Death and Disablement Plan, Exhibit C	536,965	2,932,175
Dependents' Group Life Insurance Plan, Exhibit D	1,598,456	867,661
Total net assets available for benefits	$8,687,889	$12,593,401

Approved on behalf of the Board:

Chairperson of the Board

Chair, Financial Statement Review Committee

THE PUBLIC SERVICE GROUP INSURANCE FUND **Exhibit B**

Employees' Group Life Insurance Plan

Statement of Changes in Net Assets Available for Benefits

for the year ended April 30, 2000

	2000	1999
Increase in assets		
Contributions		
Employees	$7,018,833	$7,729,446
Employers	2,374,854	2,227,946
Retired members	804,994	1,097,058
Total contributions	10,198,681	11,054,450
Investment income		
Short term	1,347,113	1,314,954
Bonds, debentures and coupons	4,434,753	5,922,706
Equity pooled funds	86,157	43,034
Change in fair value of investments	(1,912,827)	(2,677,186)
Realized gains on sale of investments	52,633	443,428
Total investment income	4,007,829	5,046,936
Total increase in assets	14,206,510	16,101,386
Decrease in assets		
Death claims, Note 2(f)	9,561,509	10,455,595
Change in actuarial provisions, Schedule 2, Note 2(d)	6,365,442	794,800
The Civil Service Superannuation Board		
Administration fee	88,967	95,986
Investment management fee	98,278	93,416
Professional fees	30,775	106,527
Canada Life Assurance Company		
Premium taxes	198,830	215,945
Administrative fees	72,904	70,946
Conversion charges	20,000	21,050
Risk charges	7,150	7,150
Stop loss charges	59,833	-
Costs associated with payments to employees and pensioners, Note 7	-	144,969
Other	5,634	903
Total decrease in assets	16,509,322	12,007,287
(Decrease) increase in net assets	($2,302,812)	$4,094,099
Net assets at beginning of year	$8,793,565	$19,601,266
(Decrease) increase in net assets	(2,302,812)	4,094,099
Payments to Employees and Pensioners, Note 7	-	(15,318,375)
Transfer from Accidental Death and Disablement Plan	61,715	416,575
Net assets at end of year, Exhibit A	$6,552,468	$8,793,565

THE PUBLIC SERVICE GROUP INSURANCE FUND **Exhibit C**

Accidental Death and Disablement Plan

Statement of Changes in Net Assets Available for Benefits

for the year ended April 30, 2000

	2000	1999
Increase in assets		
Contributions, employers	$631,117	$757,426
Investment income		
Short term	67,426	47,532
Bonds, debentures and coupons	169,635	188,718
Equity pooled funds	3,271	1,375
Change in fair value of investments	(62,092)	(83,210)
Realized gains on sale of investments	3,148	12,527
Total investment income	181,388	166,942
Total increase in assets	812,505	924,368
Decrease in assets		
Death claims, Note 2(f)	-	243,750
Change in actuarial provisions, Schedule 2, Note 2(d)	3,128,005	(2,415,100)
The Civil Service Superannuation Board		
Administration fee	3,306	3,063
Investment management fee	3,710	3,103
Professional fees	695	3,539
Canada Life Assurance Company		
Premium taxes	(55)	5,146
Administrative fees	3,170	4,594
Risk charges	5,850	5,850
Other	1,319	-
Total decrease (increase) in assets	3,146,000	(2,146,055)
(Decrease) increase in net assets	($2,333,495)	$3,070,423
Net assets at beginning of year	$2,932,175	$278,327
(Decrease) increase in net assets	(2,333,495)	3,070,423
Transfer to Employees' Group Life Insurance Plan	(61,715)	(416,575)
Net assets at end of year, Exhibit A	$536,965	$2,932,175

THE PUBLIC SERVICE GROUP INSURANCE FUND **Exhibit D**

Dependents' Group Life Insurance Plan

Statement of Changes in Net Assets Available for Benefits

for the year ended April 30, 2000

	2000	1999
Increase in assets		
Contributions		
Employees	$1,721,612	$1,725,615
Retired members	187,182	156,367
Total contributions	1,908,794	1,881,982
Investment income		
Short term	55,766	24,719
Bonds, debentures and coupons	197,479	227,545
Equity pooled funds	3,854	1,696
Change in fair value of investments	(84,387)	(120,057)
Realized gains on sale of investments	2,971	16,520
Total investment income	175,683	150,423
Total increase in assets	2,084,477	2,032,405
Decrease in assets		
Death claims, Note 2(f)	1,392,000	1,762,250
Change in actuarial provisions, Schedule 2, Note 2(d)	(91,200)	(665,644)
The Civil Service Superannuation Board		
Administration fee	3,961	3,775
Investment management fee	4,385	3,742
Professional fees	886	11,058
Canada Life Assurance Company		
Premium taxes	28,746	36,465
Administrative fees	10,849	10,686
Claims charge	1,554	2,412
Other	2,501	-
Total decrease in assets	1,353,682	1,164,744
Increase in net assets	$730,795	$867,661
Net assets at beginning of year	$867,661	$ -
Increase in net assets	$730,795	867,661
Net assets at end of year, Exhibit A	$1,598,456	$867,661

THE PUBLIC SERVICE GROUP INSURANCE FUND **Schedule 1**

Summary of Investments
as at April 30, 2000

	2000	1999
Fixed Income Investments		
Cash and short term		
Government and corporations	$36,626,987	$20,316,376
Bonds, debentures and coupons		
Government of Canada	18,007,428	47,382,360
Ontario Hydro	822,180	2,272,975
Province of British Columbia	1,171,400	3,399,750
Province of Manitoba	190,700	1,938,162
Province of Ontario	1,069,921	1,338,789
Province of Quebec	3,001,200	865,485
Province of Saskatchewan	374,488	-
Asset-backed securities	1,164,565	-
Mortgage-backed securities	1,485,312	953,144
Corporations	8,819,431	6,660,548
	36,106,625	64,811,213
Total fixed income investments	72,733,612	85,127,589
Equity Investments		
Pooled funds		
Domestic	10,157,341	4,406,041
Foreign	9,960,483	-
Total equity investments	20,117,824	4,406,041
Investments, Exhibit A	$92,851,436	$89,533,630

THE PUBLIC SERVICE GROUP INSURANCE FUND **Schedule 2**

Schedule of Changes in Provision for Future Claims/Liabilities
as at April 30, 2000

	2000	1999
Employees' Group Life Insurance Plan		
Balance beginning of year	$72,813,334	$72,041,834
Transfer of actuarial surplus payments to employers, Note 6		
Manitoba Government Employees' Union	-	(12,200)
Civil Service Superannuation Board	-	(11,100)
	72,813,334	72,018,534
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	(931,100)	(1,318,800)
Interest accrued	4,363,659	3,856,900
Changes in actuarial reserves	2,932,883	(1,743,300)
Subtotal, Exhibit B	6,365,442	794,800
Provision for future claims/liabilities, Exhibit A	$79,178,776	$72,813,334
Accidental Death and Disablement Plan		
Balance beginning of year	$1,576,666	$4,019,666
Transfer of actuarial surplus payments to employers, Note 6		
Manitoba Government Employees' Union	-	(14,600)
Civil Service Superannuation Board	-	(13,300)
	1,576,666	3,991,766
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	(53,966)	(56,998)
Interest accrued	259,230	199,300
Changes to the Plan	-	(2,557,402)
Changes in actuarial reserves	2,922,741	-
Subtotal, Exhibit C	3,128,005	(2,415,100)
Provision for future claims/liabilities, Exhibit A	$4,704,671	$1,576,666
Dependents' Group Life Insurance Plan		
Balance beginning of year	$2,668,901	$3,495,242
Transfer to Manitoba Telecom Services Inc.	-	(160,697)
	2,668,901	3,334,545
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	(158,100)	(54,591)
Interest accrued	142,500	130,900
Changes in actuarial reserves	(75,600)	(741,953)
Subtotal, Exhibit D	(91,200)	(665,644)
Provision for future claims/liabilities, Exhibit A	$2,577,701	$2,668,901

THE PUBLIC SERVICE GROUP INSURANCE FUND

Notes to Financial Statements
for the year ended April 30, 2000

1. Nature of Operations

The Public Servants Insurance Act (the Act) provides for the establishment of the Public Service Group Insurance Fund. The Civil Service Superannuation Board is responsible for the administration of the Fund and the group insurance policies agreed to by representatives of the employees and employers participating in the Fund as set out in insurance policies between the Government of the Province of Manitoba and the insurance company. The Fund's operations are reported separately for:

the Employees' Group Life Insurance Plan,
the Accidental Death and Disablement Plan, and
the Dependents' Group Life Insurance Plan.

This separate reporting is consistent with the financial arrangements with the insurance company.

The Fund's fiscal year coincides with the insurance policy year for each Plan.

2. Significant Accounting Policies

(a) Basis of presentation

The financial statements of the Fund are prepared on a going-concern basis as a separate financial reporting entity, in accordance with generally accepted accounting principles.

(b) Investments

Investments are allocated to each Plan based on monthly unit values, which are based on contributions and withdrawals. Investments are recorded at fair value on a trade date basis. Fair values of investments are determined as follows:

(i) Short-term investments are recorded at cost, which approximates market value.

(ii) Bonds, debentures and coupon investments are recorded at year end market values determined by independent sources.

(iii) Equity pooled funds are recorded at year-end market prices as listed on the appropriate stock exchange.

(c) Foreign currency translation

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year-end and the resulting change is included in the change in fair value of investments. Revenue and expense transactions are translated at the exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

(d) Provision for future claims/liabilities

A provision for future claims/liabilities for each Plan has been established using the latest triennial actuarial valuation report of the Fund as at December 31, 1997. This provision has been projected by Ellement & Ellement, consulting actuaries, to April 30, 2000.

2. Significant Accounting Policies (con't)

(e) Investment income

Investment income is allocated to each Plan based on monthly unit values, which are based on contributions and withdrawals.

(f) Death claims

Death claims include current and prior year death and disablement claims reported to the Fund up to July 1, following the year-end.

(g) Expenses

Direct costs are charged to each Plan. The Civil Service Superannuation Board administration fee, investment management fee, and other indirect administration costs are prorated between Plans based on monthly unit values, which are based on contributions and withdrawals.

3. Risk Management

Fair values of investments are exposed to interest rate risk, credit risk and currency risk.

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. To limit the exposure to interest rate fluctuation, obtain the best possible return at acceptable risk, and maintain the required liquidity, the asset mix is at 78% fixed income and 22% equity as at April 30, 2000.

Term to maturity	2000	1999
Less than one year	$36,685,612	$25,588,589
One to five years	14,722,000	36,543,000
Over five year	21,326,000	22,996,000
Total fixed income investments	$72,733,612	$85,127,589

Credit risk is the risk of loss from the failure of a counterparty to discharge their contractual obligations. The Board limits credit risk by concentrating on high quality securities, established investment ownership limits and acceptable credit ratings. In the case of bonds and debentures, 95% must be rated single A or higher.

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at April 30, 2000 external fund managers had entered into forward foreign exchange contracts valued at $37,202 (1999-nil) on behalf of the Fund.

4. Actuarial Valuations

In accordance with the Act, an actuarial report is required at least once every three years. The last triennial actuarial valuation report on the three plans administered by the Fund was prepared by Turnbull and Turnbull, consulting actuaries, as at December 31, 1997.

The actuarial report contemplates that the Fund and each Plan will continue to be in existence and that employees and dependents will continue to participate in these Plans on the completion of eligibility requirements. Significant long-term actuarial assumptions used in determining the provision for future claims/liabilities were:

Annual rate of return	6.00%
Salary escalation rates:	
(i) general increases	
a) inflation component	3.00%
b) productivity component	.75%
(ii) service, merit and promotional increases	*

* the rates used vary by gender and age grouping from a high of 6.5% to a low of .5%

The December 31, 1997 valuation indicated the following surpluses:

Employees' Group Life Insurance Plan	$19,046,690
Accidental Death & Disablement Plan	$ 202,514
Dependents' Group Life Insurance Plan	-

5. Termination of Policies

Upon termination of the policy in place for the Employees' Group Life Insurance Plan, the Accidental Death and Disablement Plan or the Dependents' Group Life Insurance Plan, the insurer will remit any net policy surplus as a final refund to the Fund for the applicable Plan. If there is a net policy deficit, a payment will be made to the insurer from the appropriate Plan's surplus funds. To the extent that the appropriate Plan's surplus funds are not sufficient to cover any net policy deficit, payment to the insurer will be made by the Minister of Finance.

6. Transfer of Employer Actuarial Surplus

In 1996, the Government of the Province of Manitoba passed an amendment to the Act. The amendment permits a payment of an actuarial surplus in the Fund to be made to the Minister of Finance on behalf of the employers. The payment amount requires the actuary's approval and negotiated agreement between the employer and employees.

7. Payments to Employees and Pensioners

The Employer Pension and Insurance Advisory Committee and the Employee Superannuation and Insurance Liaison Committee signed an agreement to distribute a portion of the Actuarial Surplus as at December 31, 1997 in the Employees' Group Life Insurance Plan. The payments, which represented excess employee contributions, were distributed in April 1999 to eligible employees and pensioners.

8. Plan Changes

Effective July 3, 1999, the three Plans had either benefit improvements or contribution reductions, or both.

9. The Year 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved. The Fund has ongoing initiatives to deal with the Year 2000 Issue.

10. Status of Fund

The Government of the Province of Manitoba and Canada Customs and Revenue Agency are having discussions concerning the status of the Fund for income tax purposes. In the opinion of the Province's legal counsel, the Fund is not a taxable entity.

11. Comparative Figures

Comparative figures for the year ended April 30, 1999 have been reclassified to conform with the presentation adopted for the current year.